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Skeletons in Deak's Closet

EXCLUSIVE TO THE SPOTLIGHT
By Warren Hough

A billion-dollar undercover network dealing in worldwide currency and gold speculation, espionage, drug money and the laundering of stolen funds has been unearthed by federal and local investigators probing the murder of the controversial New York financier Nicholas Deak (SPOTLIGHT, Dec. 16, 1985).

But the CIA, reportedly with high administration support, is making an all-out effort to smother the scandal. The SPOTLIGHT has learned from law enforcement officials close to the case.

These sources, who say that the clampdown on the revelations emerging from the Deak inquiry recalls the ham-handed White House effort to cover up the Watergate burglary 12 years ago, point to the following discoveries made so far by probes:

- The Deak-Perera International Banking Corp., which was set up by Deak in Hartford, Connecticut and soon became known on the world's money markets as "Depebanco," engaged in mysterious transactions totaling, over the years, billions of dollars without ever accounting for its operations to any federal or state regulator.

- Depebanco was known to specialize in shady, fast-profit deals such as selling certificates of deposit to wealthy foreigners who wanted to smuggle their assets abroad. Now the investigators have turned up evidence suggesting that Depebanco and other unregulated Deak subsidiaries were used for more than 30 years to channel vast covert CIA funding around the world.

- Secret funds to fuel espionage and covert action operations, including huge CIA payoffs to foreign politicians, were not the only kind of back-channel bank business handled by Deak's organization. It was also a major conduit for

some of the largest—and most brazen—corporate bribes ever disbursed by U.S. megaconglomerates. It has been known for some time that the Lockheed Corp. funneled nearly \$10 million through Deak's offices in Los Angeles and Tokyo during the early 1970s to corrupt the entire Japanese government. Probers are now reportedly on the trail of several other such major under-the-table transfers, which are believed to incriminate top officials in five nations.

- Another questionable commerce in which Deak became the international leader focused, according to federal investigators, on the U.S. foreign aid funds stolen each year by the bureaucrats of recipient nations such as Zaire or Egypt. "What you have here are civil servants, hundreds of them, whose official income may be below \$300 a month, but who manage to skim off millions from the American assistance payments they handle," says a former high U.S. customs official who is now a member of a private law firm. "These crooks have a problem. They can neither declare nor bank their loot."

- From Guinea-Bissau all the way to Greece, these thieving bureaucrats came to look on Deak's organization as an "ask-no-questions, see-no-civil" financial network that could be relied on to launder ill-gotten gains across any number of national frontiers."

- The overlords of the narcotics trade, now estimated to gross more than \$100 billion in the United States annually, looked on Depebanco and other Deak companies as their "financial safe house" in the words of a young federal prosecutor in New York City. According to this source, while the total of drug dollars churned through Deak's financial network has not yet been added up, a number of transactions involving \$100 million or more have been uncovered by auditors.

- Straggly, investigators now at-

tempting to trace these enormous sums found hundreds of millions of dollars missing from the financial buccaneer's recorded assets. At least \$37 million of the equity reported by Foreign Commerce Bank in Switzerland, one of Deak's proudest possessions, appears to have vanished during the year preceding the financier's violent death. Similar shortfalls and misappropriations have been discovered by auditors in other Deak subsidiaries all the way from the Far East to eastern Europe.

"Deak must have been desperate and reckless during the last month of his life," says one investigator. "In view of the huge volume of under-the-table business he did, this is a major mystery."

EDUCATED ASSASSIN

Adding to the mystery are the circumstances under which the embattled financier was shot to death in his posh Manhattan office suite last November 18 by an assailant identified in police reports as Lois Elaine Lang, 44, and in the ensuing headlines as a "mystery woman." Press reports soon turned to describing Miss Lang as a psychotic drifter, but investigators now say that this may be part of the mushrooming cover-up.

Checking with law enforcement sources, The SPOTLIGHT found that Lois Lang is the daughter of a noted former college president. Lois earned her BA at Washington State University and subsequently her master's degree in physical education at the University of Illinois. Little is known about her motive for shooting Deak—along with his longtime receptionist, Frances Lauder—to death except that she apparently shared her violent impulse with



NICHOLAS DEAK
... Skeletons in closet.

numerous indignant investors and creditors in Deak's far-flung enterprises.

Contrary to the image Deak projected from the rostrum of the many "conservative" financial seminars he lectured at which helped him and his friends bilk thousands of gullible investors, Deak was not the "hard money libertarian" guru he was supposed to be. His motives were far more crass.

"A lot of people who trusted Deak ended up losing their life savings," says an attorney involved in the post mortem audit of the late financier's estate. "I don't know of anyone who generated so much hostility among so many bilked investors. The greatest threat of violence to Deak emanated from his own business associates."

"In retrospect a violent end seemed inevitable. Deak was ruthless, vain and tyrannical," recounted a former associate, who says she has been interrogated "at least 20 times" in recent weeks by various authorities.

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